

PEOPLE

owner of Stolen Money... A 19th century French...

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ESTABLISHED 1887

The '88 Race Becomes the Real Thing

After Long Pre-Campaign, U.S. Candidates Face First Vote in 5 Weeks

By Paul Taylor and David S. Broder. WASHINGTON — If 1988 is only a few days old, how come the 1988 presidential campaign seems as if it has been going on forever?

U.S. Tests Powerful Laser for Use in SDI

By William J. Broad. NEW YORK — The military has begun top-secret ground tests of a compact, powerful laser that the Reagan administration wants launched into space in the early 1990s.

Kiosk Vikings Upset Saints, 44-10

NEW ORLEANS (AP) — Anthony Carter "tuned" New Orleans' playoff songfest into a farewell chant with an 84-yard punt return, and Wade Wilson and Hassan Jones connected on a "Hail Mary" touchdown pass as Minnesota shocked New Orleans with a 44-10 victory in the National Football Conference wild-card playoff game here Sunday.

MONDAY Q&A



Charles Allsopp of Christie's, who sees a leveling in art prices in 1988. Page 19.

General News

Vietnam's needs are spelled out by the United States. Page 3. As Egypt examined its role in the Iran-Iraq war, President Hosni Mubarak prepared for a tour of Arab nations. Page 2.

Business/Finance

Hong Kong's former stock exchange chairman and two aides were arrested in a corruption inquiry. Page 9. The free trade pact signed by the United States and Canada faces political hurdles. Page 9.

A Look Back at '87...

The shadow of October stretches across the year on Wall Street and into 1988. A review of stock markets in the U.S. and around the world. Pages 13-19.

And Ahead at '88

Profits of U.S. corporations are likely to rise but just how robust earnings will be depends on consumers. Separate previews of banking, automaking, the telephone industry, steel, broadcasting, airlines and retailing. Page 9.



An Israeli stood guard as Palestinian women awaited word about detainees at a West Bank court.

Israelis To Expel 9 Activists

Violence Flares As Arab Woman Is Shot to Death

By Glenn Frankel. JERUSALEM — Sweeping aside objections from the United States, Israel announced Sunday that it would expel nine Palestinian activists in retaliation for the wave of unrest in the occupied West Bank and Gaza Strip.

Amid Afghanistan Effort, Reagan Sends Rebels Assurance of Support

By Don Oberdorfer. WASHINGTON — President Ronald Reagan has sent a message of reassurance to the leaders of the anti-Communist guerrillas fighting in Afghanistan as U.S. diplomats prepare for talks bearing on the future of Soviet and U.S. involvement in the guerrilla war.

Anyone for Denis? To Thatcher, He's The One and Only



Margaret Thatcher and her husband, Denis, outside 10 Downing Street on Sunday when, after eight years and 244 days, she became the longest-serving prime minister in Britain this century.

By Karen DeYoung. LONDON — Could anything short of electoral defeat ever persuade Margaret Thatcher, soon to enter her ninth year as prime minister, to give up politics? Among those who know her, there is usually only one answer. No, unless something were to happen to Denis.

For Moscow, Bullying Allies Is Bad Politics

By Bill Keller. MOSCOW — A few days after Romanian workers rioted in November in the city of Brasov, a senior Soviet official in Moscow was asked how the Kremlin would respond if the unrest, 120 miles (200 kilometers) from the Soviet Union's western border, got out of control.

In Frankfurt, a Trade That AIDS Is Boosting

By Ferdinand Protzman. FRANKFURT — Above the main entrance to Frankfurt's Hauptbahnhof is a statue of Atlas and several other Greek gods, arms outstretched, muscles straining as they push Earth toward heaven.

WORLD BRIEFS

PLO Is Likely to Form Government in Exile, Arafat Says

By Jonathan C. Randal
Washington Post Service
KUWAIT — Yasser Arafat gave on Sunday his clearest indication to date that the Palestine Liberation Organization will soon form a provisional government in exile and launch a major Middle East diplomatic peace initiative.



Yasser Arafat

called a "small, new state," he would "accept in the name of my people the presence of United Nations forces for any period" that Israel might require on the Palestinian side of the border...

Running through the interview was a new-found note of optimism only two months after the PLO was all but forgotten at the Arab League summit meeting in Amman, Jordan.

February after consultations with various foreign governments, Mr. Arafat's remarks repeatedly emphasized his personal preference, which he said was shared by a "majority of Palestinians" from the occupied territories who had sent him messages.

He said those Palestinians' political maturity while fighting to end the Israeli occupation proved his long-held belief that "our people are better than the past, present or future leadership of the PLO."

Soviet Reform May Influence Succession in Berlin

By Robert J. McCarty
Washington Post Service
BERLIN — Mikhail S. Gorbachev's reforms have begun to arouse subtle pressures for change within East Germany's doctrinaire Communist Party...

It was possible for Communist states to live peacefully with the West on a permanent basis. Western specialists on East Germany said they now believed that the battle to succeed Mr. Honecker was much more open than they previously had thought.

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Mitterrand Holds Lead in 2 Polls

By Steven Greenhouse
New York Times Service
PARIS — Two polls have brought some good news for France's Socialist president, Francois Mitterrand, and bad news for his conservative prime minister, Jacques Chirac.

Manila Anti-Gambling Official Shot

MANILA (AP) — Gunmen wounded the chief of the Presidential Task Force for Anti-Gambling and killed two of his guards early Sunday. Elsewhere, assailants killed two candidates in the Jan. 18 regional elections, and six persons died in fighting on Mindanao island, officials said.

India Court Rules Against Rama Rao

NEW DELHI (Reuters) — A court has upheld allegations of corruption against N. T. Rama Rao, a former film star and one of Prime Minister Rajiv Gandhi's most bitter political enemies.

Stockholm and Moscow Press Talks

STOCKHOLM (Reuters) — A Swedish delegation was scheduled to go to Moscow on Monday as part of efforts to end a 20-year Baltic Sea boundary dispute with the Soviet Union involving a rich fishing zone.

Indians Sink Tamil Weapons Vessel

COLOMBO (AP) — Indian gunboats sank a boat carrying weapons and killed at least 21 Tamil rebel guerrillas off the northern Jaffna Peninsula. Sri Lankan military officials said Sunday.

Sabotage Studied in Turk Air Crash

ANKARA (Reuters) — Turkish officials believe that sabotage may have caused a West German plane to crash in rugged terrain near Izmir, killing all 16 persons aboard, Communications Minister Ekrem Pakdemirli said Sunday.

22 Die in Mozambique Train Wreck

MAPUTO, Mozambique (AP) — At least 22 people were killed and 77 injured when rightist guerrillas derailed and plundered a train carrying 1,500 migrant workers returning from South Africa, according to the national news agency AIM.

For the Record

Karel Srp, leader of Jazz Section, an underground Czechoslovakian cultural group, was released from prison Friday after serving a 16-month sentence for defying a ban on his organization. He said Saturday by telephone from Prague that he hoped the group would continue to be active.

TRAVEL UPDATE

Spanish Airline Workers Set Strikes

MADRID (UPI) — Civil aviation employees are to stage a four-day strike this week to press demands on job status and overtime pay, the workers' union announced Sunday. The strike will affect all domestic and international service and 50 percent of air traffic between Spain and the Canary and Balearic Islands.

This Week's Holidays

- MONDAY: Burma, New Zealand, Taiwan, Zaire.
WEDNESDAY: Andorra, Austria, Cyprus, Dominican Republic, West Germany, Greece, Iraq, Italy, Liechtenstein, Puerto Rico, San Marino, Spain, Sweden, Switzerland, Uruguay, Vatican City, Venezuela, Virgin Islands.
THURSDAY: Ethiopia.
FRIDAY: Czechoslovakia.
SATURDAY: Finland, Panama.

EAST: Soviet View of Allies Alters

(Continued from Page 1)
revel in being identified with the forces of hope and change. "Kulikov used to treat us as a barony," said a Polish journalist, referring to Marshal Viktor G. Kulikov, the commander-in-chief of the Warsaw Pact military alliance.

The goodwill generated in the rest of the world by Mr. Gorbachev's declared policy of pragmatism and peaceful coexistence. The Kremlin keeps close tabs on its allies through Communist Party links, through military and other security contacts, and through the Council for Mutual Economic Assistance, or Comecon.



BACK ON THE STREETS — Begum Khaidia Zia, left, head of the opposition Bangladesh Nationalist Party, led a demonstration on Sunday in Dhaka by thousands of her followers. The protest came as the government suspended a ban on public meetings, resulting in widespread rallies by the opposition to demand the resignation of President Hussain Mohammed Ershad.

Egypt Examines Gulf Options

Mubarak Trips to Arab States and West Enhance Role
By Alan Cowell
New York Times Service
CAIRO — Amid reports of a deepening Egyptian military involvement in the Gulf, President Hosni Mubarak is to embark this week on a tour of Gulf Arab nations, sealing Cairo's emergence from ostracism because of its peace accord with Israel.

Israeli Raids Kill 21 in Reprisal For Glider Attack

Beirut — Israeli bombers have killed 21 persons and wounded 30 in a night raid on bases of the Palestinian guerrilla group that made a hang-glider attack in Israel in November, the police said Sunday.

DOONESBURY



Groupe Flo Said to Buy La Coupole in Paris

PARIS — The restaurant La Coupole, a fixture of the Montparnasse area whose clientele once included such luminaries as Henri Matisse and Ernest Hemingway, has changed hands, business sources said Sunday.

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Herald Tribune

Soviet Myths Exposed

Daily life is much the same in the Soviet Union. The old economic machinery creaks along. There still is no recourse against the power of the state.

A Year of Scandals

As one scandal after another unfolds, it is clear that President Reagan presides over one of the most corrupt U.S. administrations ever.

Stay in South Africa

In the big anti-apartheid legislation of 1986, Congress imposed sanctions against South Africa but still made a powerful argument for a full phase for blacks in the country's economy.

Sanctions Against Japan

Japan's whaling fleet, reconfigured as a "research expedition," seems toward the Antarctic. In defiance of the International Whaling Commission, Japan plans to kill 300 minke whales in the name of science.

For Reagan, It's Uphill From a Bad Year

By Lou Cannon

PALM SPRINGS, California — It has been unseasonably cold this holiday season in this desert playground of the rich and famous.

Soviet Reform: Into a Year of Complex Tensions

By Ed A. Hewett

WASHINGTON — The new year brings, among other things, the beginning of a new and far more important phase of Mikhail Gorbachev's efforts to reform the Soviet economy.



Trying to Control Liberalizing Forces

IN POLAND in 1980 and in South Korea today, middle-class people and educated workers have fought for liberalization and freedom.

Resistance to Risk Is Rooted in History

By Peter Passell

MOSCOW — One of Moscow's heavyweight academic economists, an architect of the Gorbachev reforms, paused for a moment of self-doubt in a canned lecture on how Western-style incentives would put the zip back into the Soviet economy.

Strange Deals Behind Closed Doors

By William Safire

NEW YORK — The Ethics Committee of the U.S. Senate can no longer close its eyes to the political fixes that have been inflicting the Senate-House conferences.

Due Regard Is Lacking For India

By A. M. Rosenthal

NEW DELHI — Why India? Why does this suffraging crowded, quarrelsome country, still ridden with wrenching poverty for hundreds of millions and still unable to free itself of murder and hatred among castes and religions, mean so much to the United States — or why should it?

panion in goods and services from small business, which had been illegal and from reform to light industry.

Mr. Gorbachev's political advisers, and much of the bureaucracy, will be looking for compromises and quick results, possibly in the form of a go-slow policy on bankruptcies, a delay in price reform or a quick fix to accelerate economic growth.

His economic advisers are likely to argue for strong enforcement of bankruptcies to signal that the party means business. They may contend that a price reform cannot wait. They will probably emphasize improvements in product quality even if that means stagnation in total economic growth.

These issues will be fiercely debated in the next two years, and the fate of the reform will hang in the balance.

As outside spectators to the battle, with little influence but considerable interest in the outcome, our cardinal rule should be to avoid quick conclusions. It will be some time before we can accurately gauge the results of what promises to be a complex and contradictory process.

The writer, a senior fellow at the Brookings Institution, is author of a forthcoming book on Soviet economic reform. He contributed this comment to The New York Times.

India was never more important than now.

on the head or sneer at it, the friendship is open-ended. I used to feel that Indians made my neck muscles relax, and am delighted to find it still true.

You have to like that kind of intimacy, or India is not for you. And you have to accept hustle and movement and the boiling mixture of faces and races, of past and present — and noise.

Lots of noise, from loudspeakers, horns, screaming motorcycles and screaming riders. India is like trying to read a serious book of history with the television on the cassette player turned up high, the children yelling and neighbors quarreling. It is an acquired taste, and if you don't get it, India is one gigantic headache.

Why care about this highly troubled country, slipping in international prestige, whose leaders traditionally are cranky about America and charming to the Soviet Union, knowing quite well that their destiny lies westward?

India no longer leads what is called the Third World, or any substantial part of it. There is no Mahatma Gandhi or Jawaharlal Nehru sending philosophical and political messages heard round the world.

Rajiv Gandhi, the young prime minister, is in trouble. The country's press and opposition are in an ecstasy of denunciation of him. He may have many good qualities, but right now they are blanketed in such charges of arrogance, corruption, nepotism, high living and general all-round no-goodness as to make any U.S. political campaign seem like a church meeting.

Mr. Gandhi fights back, tries futilely to squelch one hostile political newspaper, dominates state television. But whatever his merits and future, right now the cry of "Rajiv the rascal out" is loud in the land.

There, exactly there in the enthusiastic public bawling and the basting of the man beloved only three years ago, is the reason why India means so much to America — or should.

What counts is not whether Mr. Gandhi stays or goes, but that India remain a free society, the only large poverty-stricken country that did not make independence the road to communism, right-wing authoritarianism, militarism. That is India's medal.

If political freedom is important to Americans, individually or as a nation, then India is important to the United States. That was true when India first raised its flag in freedom in 1947: It strikes me that it was never more important than now, when America is trying to remind the world that it really does care for political freedom and is willing now and again to stand up and take some risks for it.

Washington does not have to love India or its political pieties, or abandon Pakistan. But it seems political madness to argue and fight for democracy and act as aloof and cool as it has toward one of the largest democratic populations on Earth. New Delhi is noisy, jammed, argumentative, contradictory, annoying — and at least as important to the future of political liberty in the world as the midnight 40 years ago when Nehru stood on the Red Fort and India became free.

The New York Times.

100, 75 AND 50 YEARS AGO

1887: Bismarck's Joke

BERLIN — Councillor of Legation von Sadenberg, who has been appointed German Consul in Paris, has had an interview with Bismarck. On his conveying the fears entertained by industry and trade, the Chancellor replied: "Don't get scared. I only wish people would cease worrying me about the attitude and preparations of France. Germany is stronger than France. We have only one thing to fear, and that is an unforeseen and unjust attack from any quarter."

1912: Yes to Big Money

NEW YORK — The Houston Post says: "We are living in an era of big things. Vast projects of development and of finance are to become vaster, and this will logically stimulate concentration. Otherwise, progress must be halted. The duty confronting Congress now is not to destroy capital or to prevent its concentration for legitimate purposes, but to eliminate such abuses in the use of money ... as perpetrate injustice upon the public."

1937: FDR's Message

WASHINGTON — President Franklin D. Roosevelt opened the new regular session of Congress (Jan. 3) with a message in which he reported that the world was in a state of "high tension and disorder" and foreshadowed an early request for additional naval construction with the warning: "We must keep ourselves adequately strong in self-defense." Observers interpreted the message as designed to "educate" Congress in the need of voting additional sums for armament. The reference to maintenance of peace despite provocations which at other times might have caused war was regarded as an allusion to the sinking of the U.S. gunboat Panay by Japanese aircraft.

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Due Reagan Is Lacking For India... By A. M. Rosenfeld... NEW DELHI—While...

### In Tokyo, An Imperial Greeting Is Reassuring

By Clyde Haberman  
New York Times Service  
TOKYO—In a brief ceremony made significant by its ordinariness, Emperor Hirohito has appeared before thousands of his subjects to wish them well and to be heartily cheered in turn.



Wellwishers wishing as Hirohito makes his first public appearance at the Imperial Palace in Tokyo since his surgery in September.

### ISRAEL: 9 Expulsions

(Continued from Page 1)  
Fourth Geneva Convention of 1949, which bans deportations of persons from occupied territories "regardless of their motive."  
Spokesmen for the White House and the State Department and the U.S. ambassador to Israel, Thomas R. Pickering, have all expressed opposition to the prospect of expulsions in recent days.

### CAMPAIGN: After a Long Preseason, the Real '88 Race Starts in U.S.

(Continued from Page 1)  
None has sufficient financing to survive past the first primary in New Hampshire on Feb. 16 unless he strikes unexpected sparks with the voters.  
Then there is the intruder no one can ignore, the former television evangelist Pat Robertson. Carrying the banner of an army of committed Christians whose size no one can confidently measure, he is hounded by a mainstream Republican revision to his theocratic message and to the fervor of his followers.

had something to play off: a sitting president, a front-runner, a war, the Watergate scandal. This year's race has no such prop.  
When Mr. Hart got out of the race in May, he threw his competitors further off balance than could have been imagined. They have spent the last eight months struggling to fill a void that will not be filled until the voters get involved.  
With the exception of The Reverend Jesse L. Jackson, who espouses an anti-corporate, socialist platform, the Democratic candidates steer clear of sharp ideological edges. They try to come across as fixers and managers.  
Governor Michael S. Dukakis of Massachusetts has raised \$10.6 million, twice the amount of his nearest rival. But critics say that his message has been small-bore, timid, not yet presidential.  
The question for Senator Paul Simon of Illinois is whether he is a

### A dizzying progression of state primaries and caucuses is ahead, including a record 20 on a single day, March 8.

The Democrats  
What makes 1988 different is that the unknowns of yesteryear all people admitted they were ever robbed.  
The prostitutes are also victims, Mr. Kowalski said. They are often beaten and robbed by their clients. But because a person must be at least 18 to work legally as a prostitute in West Germany, and because most of the male prostitutes who are over 18 do not register anyway, they have no recourse.  
Drugs are common coin among the boys, and many of them either wear the slightly dazed expression brought on by heroin or hashish, or show the sudden movements and mood-shifts of cocaine or amphetamine users. Most acknowledge that they use drugs.

frankfurt: AIDS Boosts Business of Male Prostitutes, Police Say  
(Continued from Page 1)  
The prostitutes don't care about the future," said Bernhard Kowalski, who heads the sex crimes unit of the Frankfurt police, adding, "They are like those flies that only live for one day, then die."  
"Their clients are usually over 35," Mr. Kowalski said, "not good-looking enough anymore to attract anyone in the overt gay scene, but they still want sex and will pay for it. Sex without condoms is something special and they will pay more for that."  
Another prostitute at the station, Jimmy, 22, said he is from Málaga in southern Spain, and that he has lived on the streets for 10 years. That makes him an elder in the subculture.  
"Look at the people sitting and standing here," he said. "Nearly everybody here is a prostitute or a client."  
The café is filled with boys in their early teens and men who appear to be in their 50s.  
Crime involving the prostitutes and their clients is common, according to Mr. Kowalski.  
"The clients get robbed very often," he said, "but they don't accuse the prostitutes because they are frightened that their gay identity will be discovered. We arrested one boy who admitted he had robbed clients 300 times. We asked around the scene and only three

### DENIS: Thatcher's One and Only

(Continued from Page 1)  
when people knew their place and the empire was intact.  
Far from causing outrage, Denis Thatcher's many caricatures have brought him no small measure of public affection. One theory is that his alleged lapses make him a welcome antidote to his wife, the nation's Iron Lady. Even the Conservative Party apparently thinks the laughable image of Denis is an asset, since the book version of compiled letters to Bill is sold at party function bookstalls, side by side with the prime minister's collected speeches.  
Close observers say the caricatures are a fairly accurate portrait. Whatever the truth, however, they have come to represent the real Denis Thatcher in the absence of more substantive information.  
Certainly, he is his wife's biggest booster, and knows how to play the game when he has to. During electoral campaigns, he is often at her side, shaking hands and chatting with voters, or standing steadfastly in the background, feet firmly apart in the stance of the rugby referee he once was. At Conservative rallies he acts as cheerleader—

### FRANKFURT: AIDS Boosts Business of Male Prostitutes, Police Say

(Continued from Page 1)  
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### REAGAN: Afghan Rebels Get a Reassuring Message

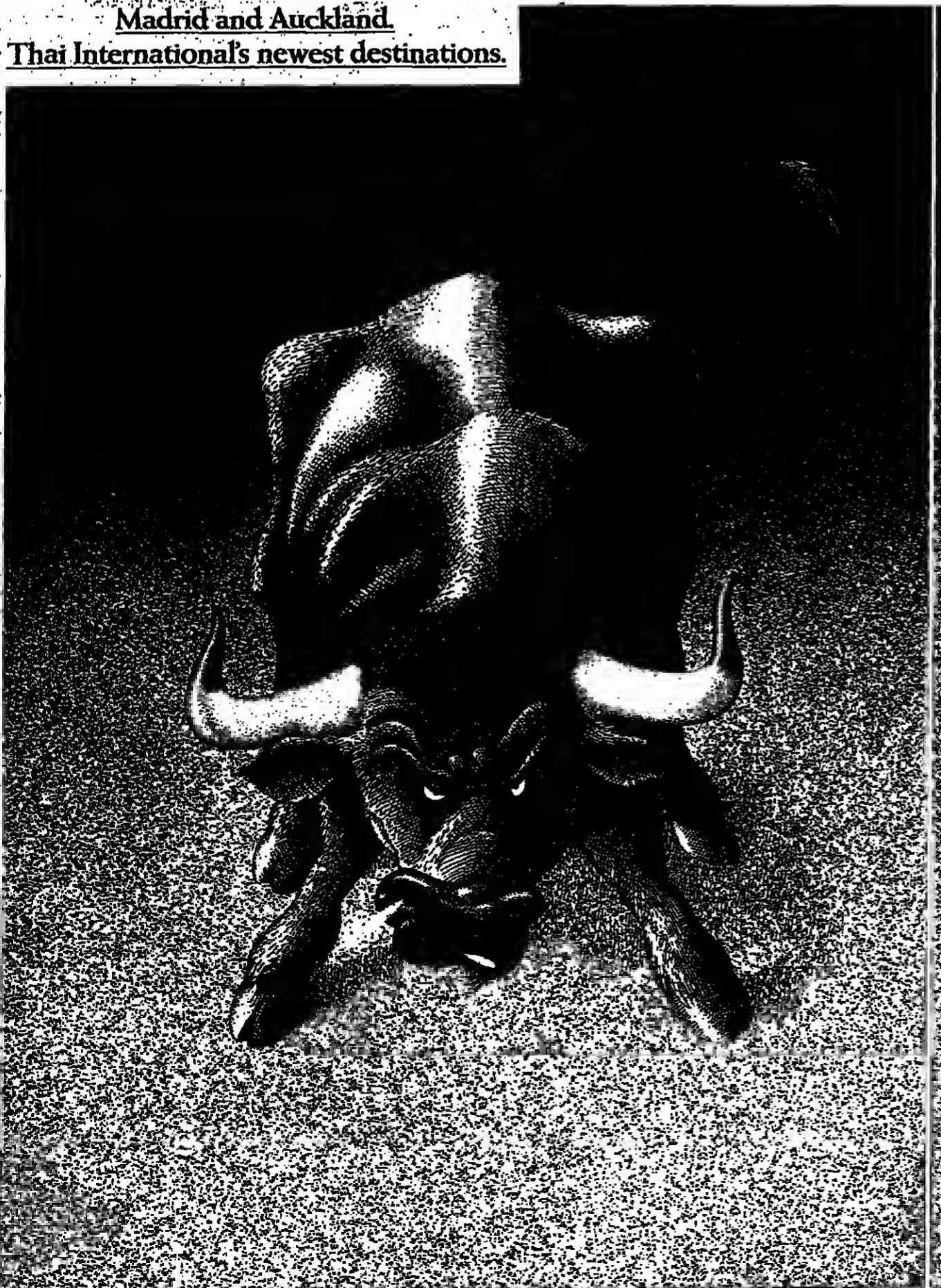
(Continued from Page 1)  
Despite repeated demands by the United States and other nations, Moscow has not set a date for the pullout to begin. Nevertheless, the prospect that it may do so, possibly leading to a negotiated settlement of the war, has lifted details of the talks to a high place on the U.S. and Pakistani agendas and raised fears in some quarters about a premature cutoff of U.S. aid to the resistance.  
Mr. Armacost has said the Reagan administration will insist on seeing all details of a negotiated pullout before undertaking a guarantor role. He and other officials have reiterated Mr. Reagan's statement of Nov. 12, that "the withdrawal of Soviet forces is the key to resolving the Afghan crisis."  
The Afghan government said Saturday that a fourth relief convoy had reached Kabul after a long siege ended, but rebels said the halt continued. Reuters reported from Islamabad, Pakistan.  
Afghan officials also said that Osman Demir, a West German national held on charges of spying and training rebels, had admitted shooting down two Afghan planes. The official radio in Kabul said investigations showed Mr. Demir had trained the guerrillas in using U.S.-made Stinger anti-aircraft missiles.

### Peres Defends Plans

Foreign Minister Shimon Peres defended on Sunday plans to expel the nine Palestinians and blamed tensions in the area for the killing of the Palestinian woman. Reuters reported from Washington.  
Mr. Peres said he regretted the killing but accused the PLO of trying to incite violence.  
"They have tried to incite the population there," he said. "But thank heaven, the weekend passed relatively in a quiet manner. I regret very much the incident this morning. But there were neither mass riots nor other disturbances."  
Commenting on the shooting, Mr. Peres said: "You must understand that tension is high, and a single soldier or two soldiers may find themselves in an unprepared, provocative and very difficult situation."

### Madrid and Auckland

Madrid, Spain. City of sunshine, cool breezes and romance. Of flamenco dancers, singers and guitarists. Of toreadors and picadors. And now Thai opens its doors to this picturesque city. Flights commence December 5 from Bangkok via Rome every Saturday and Monday. Returning to Bangkok via Rome every Sunday and Tuesday.  
Auckland, New Zealand. The perfect starting-off point for a holiday to remember. Skiing, boating, fishing, touring in the land of the famous All Blacks Rugby team. New Zealand has it all. Now Thai touches down there December 6, direct from Bangkok (leaves Saturdays), returns every Sunday.



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### 7: FDR's Message

WASHINGTON—President Roosevelt's message to the world was one of tension and challenge. He announced an early withdrawal of naval forces from the Pacific. But it seems to argue for a shift in the direction of the United States' foreign policy. The message was a warning to the world that the United States was not going to be a free society, the only city-stricken country left in the world. It was a warning to the world that the United States was not going to be a free society, the only city-stricken country left in the world. It was a warning to the world that the United States was not going to be a free society, the only city-stricken country left in the world.

SPORTS

Auld Lang Syne

By Ira Berkow
NEW YORK — While hearing the last, fading refrain of that New Year's classic, Old Long Since (as some readers might have corrected the bonny Bobby Burns), we begin the annual look back on what has been written in this space.

For a column that was free of error, always right on target in regard to taste and judgment and prophecy, where cool reason prevailed like a fresh breeze, that never diverged from the highest standards of literacy, was front and center when le mot juste was urgently called for. It's amazing the number of people this past year who took quill in hand to complain about it.

A man from Pennsylvania wrote concerning a column on tennis and South Africa: "Why don't you concentrate on writing about sports and stay out of politics?"

Dear Sir: With all due respect, when did sports and politics become separate? Perhaps if a sportswriter is allowed to vote — and some in this country are — he ought to be somewhat involved in politics, sort of like other citizens.

A man from Rye, New York, wrote: "There are no valid player issues motivating and/or justifying this deplorable football strike that you write of. If the walkout continues, I suggest that you seek a place amongst those temporaries employed by the National Football League as you certainly need another source of income, having utterly failed as an objective commentator on sports."

Dear Sir: Can't fool me. You're a headhunter, aren't you — trying to drum up a little business?

A man from Indianapolis wrote: "Regarding your blistering attack on Coach Bob Knight, you must realize that immediately you place into question your basketball knowledge and/or objectivity by reducing Indiana's win over Syracuse to the result of a 'schoolyard' shot. I hope you will take a moment to respond, which might serve to indicate that you don't always take the easy route."

Dear Sir: And I was taught, easy does it. But the point was, a game is still a game and possibly not Armageddon.

A man from Blue Hill, Maine, added to my knowledge

of slipping white potatoes into a baseball game, as had the minor-league I wrote about. The man noted: "It was more than 30 years ago, even more, that I was thrilled when Burt L. Standish had Frank Merriwell executing the potato caper. How the runners scampered and how neatly Bart Hodge behind the plate and Bruce Something-or-other, the first baseman, nailed 'em all! Thought you'd like to know."

Dear Sir: I do. Thank you. A New Yorker wrote regarding my column on Chris Evert losing in a match because, some speculated, she was "too much in love." He referred to Fleming's "The Sun Also Rises," chapter six, in which Jake says of Robert Cohn: "He loved to win at tennis. He probably loved to win as much as Lenglen, for instance. . . . When he fell in love with Brett his tennis game went all to pieces. People beat him who had never had a chance with him."

Dear Sir: Most experts agree: love is one powerful poison. A man in North Bergen, New Jersey, wrote: "People hate reading about George Steinbrenner every day. If you and the other sportswriters would simply stop, and start writing about games and strategy and players, you might even get the guy to sell the team."

Dear Sir: He will be written about as long as he is news — that is, making decisions that affect the Yankees, an organization that was news even before there was a George, though it might be hard to convince him of that.

Numerous correspondents were notified that in my Baseball Encyclopedia column on nicknames I neglected folks like Muggsy McGraw, Snow Snodgrass and, most lamentably, Fidgety Phil Collins.

Dear Sir: Space prohibited listing every nickname in that volume. Not only did I bypass Fidgety Phil Collins, I skipped Rip Collins and Zip Collins, too. To say nothing of Piano Legs Hickman, Rainbow Trou, Stuffy Melanis, Creepy Crespi, Dandelion Pfeffer and Cannonball Tibcomb.

Meanwhile, there were readers, it may surprise some, who had unqualified praise. This from Valley Stream, New York: "Congratulations for being a great sportswriter. I am 94 years old."

Dear Sir: I blush. To you, and to everyone else, Happy New Year.

Pitt's Proving It Belongs; New Mexico Upsets Arizona, 61-59

Computed in Our Staff From Dispatches
PITTSBURGH — Is Pitt for real? Ranked third by The Associated Press and fourth by United Press International, Pittsburgh spent the first month of the college basketball season beating up on the likes of Robert Morris and St. Francis, so no one could tell.

But with Saturday's 80-68 victory over Florida (rated eighth by AP, ninth by UPI), the Panthers beat a ranked team for the first time this season.

Charles Smith scored 30 points and Jerome Lane hauled down 21 rebounds as Pitt improved to 9-0, its best start since the 1929 Panthers began 12-0.

Moreover, Pitt has been winning games while losing players. It has been playing without guard Mike Goodson, who was declared academically ineligible before the season, and injured swingman Demetrius Gore. The latest loss is Rod Brooklin, who will miss the rest of the season because of

grade problems; he was averaging 12.6 points a game.

Those losses have been offset by the strong play of freshmen Sean Miller, Bobby Martin, Jason Matthews and Darrell Porter. Those four combined for 35 points against Florida, Miller hitting for 14.

Smith, a 6-foot-10 (2.08-meter) senior center, played a solid all-around game. He hit 10 of 17 shots from the field and made 10 of 12 free throws. He also blocked 7 shots and had 3 steals.

"Before the game, I made the mistake of saying Charles Smith was having an average year for him," said Florida's coach, Norm Sloan.

Lane, a 6-6 junior, finished with only three points but said he was not concerned with scoring. "This year I'm strictly playing within the system," Lane said. "It's my job to try to get as many rebounds as I can."

Vernon Maxwell led Florida (8-3) with

COLLEGE BASKETBALL

20 points and Livingston Chatman added 16.

Elsewhere: New Mexico 61, Arizona 59: In Albuquerque, New Mexico, Hunter Greene knocked away Sean Elliott's shot with five seconds left to preserve the Lobos' upset of up-rated and previously unbeaten Arizona. Greene swatted the ball away as Elliott launched a 3-point attempt.

After going 25-10 last season and not being picked for the NCAA tournament, New Mexico felt it had a score to settle. "We need the recognition, and that's why we were pumped up for this one," said point guard Jimmy Rogers, who scored 15 points to lead the winners.

New Mexico had taken an 11-point lead midway through the second half but the Wildcats, who returned the top six players

from last season's team that went 18-12, squeaked by. Tio Horford scored a game-high 26 points for the Hurricanes.

Wyoming 94, Stephen F. Austin 55: In Laramie, Wyoming, Francis Dembo scored 19 points and Reggie Fox added 12 to help Wyoming improve to 11-0. The winners led by as many as 44 points before Coach Benny Dees cleared his bench.

Syracuse 123, Siena 72: In Syracuse, New York, Rudy Sekaly scored a season-high 30 points to lead the Orangemen. Syracuse outscored Siena by 24-4 during a 6:50 start early in the game as moves in from 35-15. Sekaly scored seven points during the run.

Nevada-Las Vegas 69, New Mexico State 64: In Las Cruces, New Mexico, Jarvis Basnight tallied 22 points and had nine rebounds in helping unbeaten UNLV win its 10th straight game of the year. Gerald Paddio added 19 points for the winners.

SCOREBOARD

Basketball

National Basketball Association Standings

Table with columns for Eastern Conference Atlantic Division, Central Division, and Western Conference Midwest Division. Lists teams like Boston, Philadelphia, New York, Washington, and their win/loss records.

Table with columns for Eastern Conference Pacific Division and Western Conference South Division. Lists teams like L.A. Lakers, Portland, Seattle, Phoenix, and their win/loss records.

Table with columns for Friday's Results and Saturday's Results. Lists games like L.A. Clippers vs New York, and Philadelphia vs Portland.

John Williams, here scoring on a first-half hook shot over Larry Nance, helped Cleveland to a 120-107 NBA victory over Phoenix Saturday in Richfield, Ohio.

Hockey

NHL Standings

Table with columns for Wales Conference and Campbell Conference. Lists teams like NY Islanders, Philadelphia, New Jersey, and their win/loss records.

Table with columns for Friday's Results and Saturday's Results. Lists games like Edmonton vs Vancouver, and Pittsburgh vs Boston.

Football

College Bowl Games

Table with columns for SEC, Big Ten, and other divisions. Lists bowl games like Cotton Bowl, Independence Bowl, and their scores.

Table with columns for SEC, Big Ten, and other divisions. Lists bowl games like Sun Bowl, Sun Bowl, and their scores.

Selected U.S. College Results

Table listing various college sports results including basketball, football, and tennis.

Table listing various college sports results including basketball, football, and tennis.

Advertisement for IHT Asia Guide to Business Travel. Text: "There's never been a guide to Asia like this. A unique and invaluable new IHT guide for the business traveler in Asia." Includes details about the guide's content and availability.

Advertisement for International Classified. Text: "A first-half goal by Brian McClair (dark shirt, battling Watford's Gary Chivers) gave Manchester United 1-0 victory on Saturday." Includes contact information for various agencies.

Advertisement for Escorts & Guides. Text: "INTERNATIONAL CLASSIFIED (Continued from Back Page). Includes sections for ESCORTS & GUIDES, MAYFAIR CLUB, CAPRICE-NY, and REGENCY NY." Lists various services and contact details.

Miami 20-14.

Various small text fragments and notices.

Various small text fragments and notices.

Various small text fragments and notices.

Various small text fragments and notices.

Various small text fragments and notices.

SPORTS

Vikings Stun Saints With 44-10 Victory

The Associated Press NEW ORLEANS (AP) — Anthony Carter turned New Orleans' playoff songfest into a farewell chant with an 84-yard punt return...

Wilson scored a 5-yard scoring pass to Steve Jordan and running back Allen Rice threw a 10-yard touchdown pass to Carter on an option in the second quarter...



Coach Jimmy Johnson couldn't have been riding higher after Miami's national championship victory.

Miami Downs Oklahoma, 20-14, for Collegiate Title

By Sally Jenkins Washington Post Service MIAMI — All the statistics and all the victories couldn't help No. 1 Oklahoma. All second-ranked Miami had was the smooth, clean lines of its fine passing game...

VANTAGE POINT/George Vecsey It Ain't Broke Yet, So Don't Go Messin' With It

New York Times Service MIAMI — Once again this great nation of ours has avoided a major schism. The center has held. E pluribus unum, and all that.

ORANGE BOWL

their leading tackler in linebacker George Mira Jr. and, because of injuries, were working with a reshuffled offensive line.

Syracuse, Auburn Play to a 16-16 Tie

By Dave Sell Washington Post Service NEW ORLEANS — Auburn Coach Pat Dye decided discretion and a field goal were the better part of valor and victory.

Michigan St. Takes Rose Bowl by 20-17

By John Feinstein Washington Post Service PASADENA, California — The stars of the game, in no particular order, were a field-goal kicker, the left foot of a linebacker and a play called "make something happen."

Michigan Defeats Alabama, 28-24; Tennessee Gets Past Indiana, 27-22

Compiled by Our Staff From Dispatches TAMPA, Florida — Instead of getting edgy, Demetrius Brown got mad, helping lift Michigan over Alabama in the Hall of Fame Bowl here Saturday.

Yet both teams were not without some self-doubts to dispel. The Sooners' 20-game winning streak was the longest in the country, but no one was willing to regard them as a complete team unless they could finally beat the Hurricanes (Miami's victories had been more than convincing — 28-14 in 1985 and 28-16 last season).

61-59

Harford scored a pair for the Hurricanes. Stephen F. Austin Sr. led the way with 11-0. The winner scored his bench.

Football College Bowl Games DEC. 21 California Bowl

Tennis MEN'S TOURNAMENTS Washington Post Service

European Soccer ENGLISH FIRST DIVISION

Transition BASKETBALL

SPORTS & GAMES GENEVA DAILY EXPRESS

STOCKHOLM SWEDISH PRESS

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Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30

Prices may vary according to market conditions and other factors.

Dollar Straights

Table of Dollar Straights bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

Mutual Funds

Table of Mutual Funds prices, including columns for Fund Name, Bid, and Ask.

Austroraise

Table of Austroraise bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

Canada

Table of Canada bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

France

Table of France bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

Scandinavia

Table of Scandinavia bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

United Kingdom

Table of United Kingdom bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

Japan

Table of Japan bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

Non-European

Table of Non-European bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

Western Europe (Other)

Table of Western Europe (Other) bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

United States

Table of United States bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

Yen Straights

Table of Yen Straights bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

DM Zero Coupons

Table of DM Zero Coupons bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

Dollar Zero Coupons

Table of Dollar Zero Coupons bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

ECU Straights

Table of ECU Straights bond prices, including columns for Issuer, Can, Mat Price, Yld, and Bid Ask.

Wall Street Review

Table of Wall Street Review data, including NYSE Most Actives and AMEX Most Actives.

NYSE Sales

Table of NYSE Sales data.

NYSE Diaries

Table of NYSE Diaries data.

AMEX Sales

Table of AMEX Sales data.

AMEX Diaries

Table of AMEX Diaries data.

WestLB advertisement for Fixed Income and Equities Trading, including contact information for Düsseldorf, London, Luxembourg, and Hong Kong.

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MONDAY, JANUARY 4, 1988

TOSHIBA TO HOME ELECTRICS In Touch with Tomorrow

ECONOMIC SCENE

Negative Wealth Effect? Pop Goes the Psychology

By AMITAI ETZIONI

New York Times Service

NEW YORK — Recent forecasts about U.S. economic activity in the near future advance two propositions: first, that a "negative wealth effect" will result in an economic slowdown, possibly a recession; second, that any recession would be mitigated by a "confidence-building" effect in the deficit. But neither thesis is well-anchored in theory or fact.

There are reasons to forecast an economic slowdown. The U.S. recovery is already one of the longest on record, and while economists are never able to explain business cycles, even to their own satisfaction, their regularity is well established. Yet before Oct. 19, most economists were not predicting a near-term slowdown, let alone a recession. What changed?

People are not so much influenced by a single event as by sequences of events.

An issue is not the \$1 trillion of so that investors lost when the stock market collapsed. Nobody cares to suggest that people made detailed purchase plans on the basis of recent gains in their paper profits. What is said to have changed is the psychology of investors. There is evidence that as people grow wealthier, they also feel richer and are more willing to spend, and dip more deeply into their savings. But since Oct. 19, economists argue, people feel poorer, and hence will do the opposite.

But there is no solid evidence to support the economists' presupposition about the wealth effect. Indeed, data from a number of experiments suggest that people are not less influenced by a single event like the Oct. 19 plunge in stock prices than by sequences of events. These events drive feelings more than feelings drive events, the data indicate.

In one experiment, Professor Vernon L. Smith of the University of Arizona gave economics students a simulated computerized portfolio of stocks as well as money to invest. The students were given the same information and were free to take home their profits after 15 or more sessions of simulated trading. In binges of speculation, Mr. Smith's investors drove stock prices far above their fundamental value. When the computerized markets eventually crashed, the investors learned little. It took two, three or more of these simulated crashes to lower bidding close to the stocks' fundamental value.

THE RESEARCH findings suggest that if the Dow Jones industrial average remains around 2,000 or gradually creeps up in the coming months, then Oct. 19 is likely to be treated by investors as an aberration rather than as a part of a larger trend or pattern. Although it will not be forgotten by investors, it will not have any lasting effect on investments or purchasing habits. Under this scenario, the negative wealth effect is likely to be small.

If, however, during the next few months, the stock market drops several hundred points in a day or falls sharply over several days before creeping back up, investors will leave the market in droves, institutional investors will cut back on holdings and individuals will curtail purchases. Whether or not Oct. 19 is treated as a major negative wealth effect cannot be determined by what happened on that day, but by what happens next.

A recent study at Harvard University also shows that the media tend to interpret stock market run-ups by focusing on positive news, and crashes by focusing on negative news. In simulated trading, this news bias led investors to spurge or tighten their belts more than market trends alone would warrant.

Practically all of the post-crash economic forecasts assume that Congress will trim the federal budget deficit and implement the agreement reached in late November. If Congress and the president had not reached an agreement in November to cut the deficit, or if Congress does not implement the accord, then, economists say, the public will lose confidence.

The trouble with this line of analysis is that it is very narrow. Imagine two scenarios: In one, the deficit is cut at once, but other problems arise — the arms reduction agreement fails or the president grows morose over the health of his wife. Under these conditions, confidence in the government will hardly improve.

In the second scenario, assume that the deficit is cut, but by no more than \$33 billion, without any further agreement between the Congress and the president — but that the next summit talks exceed all expectations, the president finds new vigor and actively campaigns for his legacy and successor, and the stock market in Japan soars because of rising confidence in the Tokyo government. Under these conditions, public confidence may swell.

In short, if psychology is to be factored in, one must recall that people's psyches are simultaneously affected by many factors. Economists would do well sticking to their own knitting rather than practicing psychology without a license.

Amitai Etzioni is a professor at George Washington University and a visiting professor at the Harvard Business School. Carl Gewirtz is on vacation. The Eurobonds column will return on Monday, Jan. 11.

Robins Chooses Sanofi

Rorer, Lawyer Criticize Merger

Compiled by Our Staff From Dispatches

NEW YORK — Rorer Group Inc. maintained Sunday that its past takeover arrangement with A.H. Robins Co. remained valid despite the Robins decision to merge with the French pharmaceutical maker Sanofi SA.

Robins chose Sanofi's bid late Friday over competing offers from Rorer and American Home Products Corp. of New York.

In a statement from its Fort Washington, Pennsylvania, headquarters, Rorer said that an agreement reached last summer and sweetened to \$2.9 billion last week "could not be terminated by Robins until such termination was approved by the bankruptcy court."

In Richmond, Virginia, meanwhile, a lawyer for Dalkon Shield claimants said that he would fight the proposed merger.

Under the agreement, Sanofi would acquire a controlling interest in Robins for \$600 million and provide the \$2.48 billion that the bankruptcy court has ordered to be put into a trust to pay claims of Dalkon Shield victims.

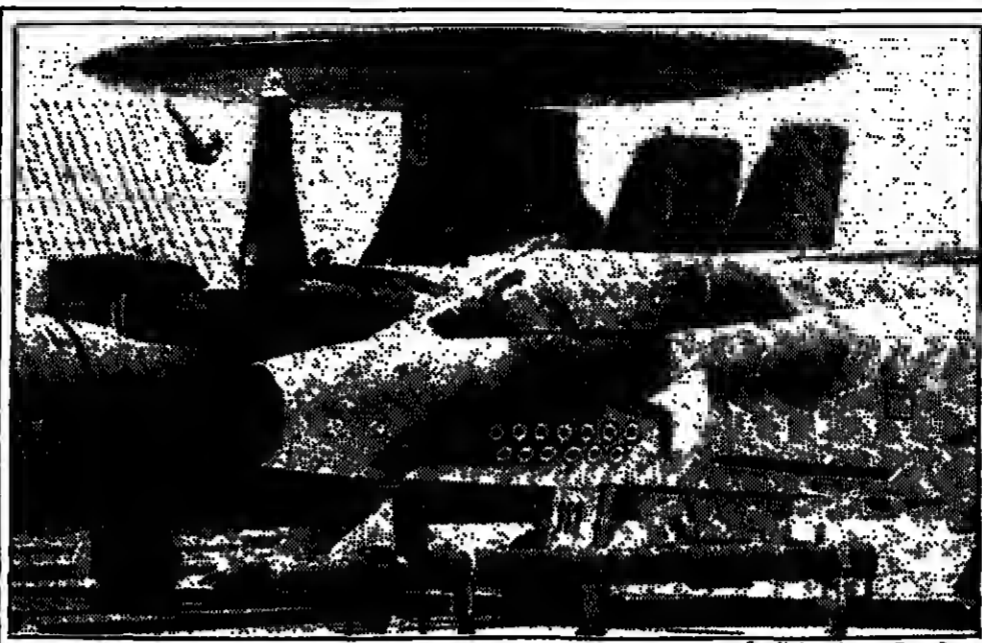
Robins would pay Rorer \$25 million to \$50 million for backing out of the agreement.

A complex stock transaction included in Sanofi's offer makes it difficult to evaluate the three offers side by side. All three included the establishment of the court-ordered trust, but Sanofi's offer calls for the French company to get a 58 percent stake in Robins, while the other two would have been 100 percent takeovers.

American Home Products, a consumer products company that had increased its offer to Robins shareholders by \$50 million to \$600 million last week, also has questioned whether the Sanofi bid was better than its own.

The Sanofi proposal could result in the payment of less money to Dalkon Shield claimants than would have been available from the two other companies trying to buy Robins, he said.

Robins plans to incorporate the See ROBINS, Page 12



A Mirage-3 military jet plane purchased by Israel from Avions Marcel Dassault-Breguet Aviation.

French Aerospace's Fading Star

Lagging Technology and Political Blunders Hurt Sales

By Christopher Boian

Special to the Herald Tribune

PARIS — After achieving supremacy in the 1970s as Europe's largest and most sophisticated maker of spacecraft, airplanes and missiles, the French aerospace industry is on the verge of an economic crisis, according to industry sources and analysts.

While officials of France's leading aerospace companies — including Aerospatiale, Avions Mar-

cel Dassault-Breguet Aviation and Sncma — blame their growing financial troubles primarily on the fall of oil prices between 1980 and 1984 and the ongoing decline of the dollar, analysts say the industry's problems are rooted in uncompetitive products and repeated political miscalculations.

"For the first time since World War II, the French aerospace industry is facing severe economic difficulties," said Patrick Leguil, chief industry analyst for the French brokerage firm J.C. Melendes. "It is in the same situation the British industry was in five to 10 years ago. There are too few top-quality new products, and the old products are no longer being bought."

Mr. Leguil attributed the French industry's sharply declining market share to a drop in sales of the Mirage 2000, Mirage F-1 and Jaguar combat aircraft, as well as a dearth of orders for business jets and commercial helicopters.

Dassault, France's sole manufacturer of military jets, did not receive a single foreign order in 1987. And Aerospatiale, the state-owned builder

of helicopters, business jets, tactical missiles and other strategic and space systems, saw orders from its principal domestic client — the government — fall by about 10 percent in 1988.

The sales slump, coupled in recent years with increased competition from Britain, West Germany and Japan, has "created a crisis" for the industry, Mr. Leguil said.

Despite a delayed payment system on all military and some civilian aerospace contracts, the industry has already felt the economic fallout. Aerospatiale posted a 203 million franc (\$38.1 million) loss for the first half of 1987, and industry sources predict that the company will post a net loss for the year.

Dassault's profit fell 36 percent in 1986, to 293.4 million francs.

A company official said that Dassault would post a 1987 profit, but that it was likely to be "considerably lower" than the 1986 figure. He said that the company would continue a reorganization that began in 1985 and has resulted in the elimination of some jobs.

"We are having problems staying competitive in the market," said Charles Edelstenne, Dassault's vice president for finance. "Our military markets have practically disappeared in the past two years."

Yves Michot, vice president and financial director for Aerospatiale, attributed the industry's problems largely to the dollar's decline.

"The United States is making war on Europe with the dollar," he said. "There are few French See AEROSPACE, Page 11

3 Stock Officials Arrested by H.K. Corruption Unit

Compiled by Our Staff From Dispatches

HONG KONG — Hong Kong's Independent Commission Against Corruption was to complete its questioning on Monday of the former chairman of the Hong Kong Stock Exchange and two top aides arrested over the weekend in a corruption investigation.

Analysis predicted, meanwhile, that stock prices on the beleaguered exchange would fall sharply on Monday in response to the arrests of the former chairman, Ronald Li; the former chief executive officer, Jeffrey Sun; and the former head of the stock listing department, Donald Tsang, by the commission on Saturday. Officers called the arrests the most serious public scandal in the colony's recent history.



Ronald Li

The commission said the three were arrested "in connection with enquiries by the ICAC into the operation of the stock exchange," but gave no details. It said that it began an investigation before the October market crash.

The memo were released on combined bail of more than \$1.8 million, though no charges were filed. The agency has 48 hours to question suspects before deciding whether to press charges.

After the arrests, the exchange suspended its 21-member regulatory committee and appointed a new management committee with 14 members on the advice of the government. The exchange's chief executive, Robert Fell, was placed in charge of the new panel.

The seven officers removed included Mr. Li and his successor as chairman, Charles Sin. Mr. Fell said the seven are likely to be interviewed in the government investigation.

At a press conference, the colony's financial secretary, Piers Jacobs, said the government proposed that certain officers of the privately run, self-regulating exchange "distance themselves from the management of the stock exchange" until the investigation is completed.

The commission is an investigative arm of the colonial government See HONG KONG, Page 12

Canada, U.S. Face Test of Pact

Compiled by Our Staff From Dispatches

OTTAWA — The historic agreement committing Canada and the United States to a freer and fairer trade relationship faces a tough test in the months ahead as politicians in both nations decide its fate.

The 200-page accord was signed Saturday by President Ronald Reagan and Prime Minister Brian Mulroney. The leaders remained in their own countries, but kept in touch by phone.

In his weekly radio address, Mr. Reagan called the pact "a win-win situation for both countries." He said that it had "important international implications as well" because it would create "the world's largest free trade area."

"The agreement is an example of the market opening steps the entire world should be pursuing," he said.

A Commerce Department survey recently projected a \$25 billion increase in two-way See ACCORD, Page 19

For U.S. Industries, '88 Outlook Is Mixed

A Year of Moderate Expectations

New York Times Service

NEW YORK — The profits of U.S. corporations are likely to rise again next year, aided by growing exports that have been made more competitive by the weak dollar. But just how robust earnings will be depends on consumers. At this point, it looks like consumers will buy enough in 1988 only to boost corporate income by a modest amount.

Even so, many economists believe that such growth is healthier for the country and corporations over the longer haul. Strong consumption would mean that American companies would have difficulty manufacturing enough to supply both the export and domestic markets, economists said. As shortages developed, the inflation rate and then interest rates would rise, choking off economic growth and bringing on a recession.

In addition, restricted consumption means Americans will be purchasing fewer imports, which is viewed by many economists as the best way to shrink the nation's huge trade deficit.

Most economists estimate that the after-tax net income of U.S. companies will climb in 1988 by 5 percent to 7 percent on average. Once all the figures are in, last year's net income is likely to total about \$140 billion after taxes, or 10 percent above the 1986 level, a strong performance.

"There is no way to do better in 1988," said Allen Sinai, chief economist at Boston Co., an investment-management firm. Still, there are many bright spots. Manufacturers of farm machinery, trucks, food products, paper, chemicals and telecommunications equipment are likely to report strong earnings. They are exporting more and are luring away domestic customers from foreign suppliers.

The weaker performers will probably include retailers, securities firms and banks, and maybe some of the auto companies. Many retailers are being hurt by the rising cost of foreign goods, which they distribute, and also by the slowdown in consumer spending, which could also affect auto sales.

The stock market collapse will probably continue to hurt securities firms, and bank profits could be low if Third World debt repayment continues to falter.

The big damage to profits would come if the expected 1.5 percent to 2 percent economic growth evaporated and a recession developed, a recession provoked by a sharp downturn in consumer spending.

Exports, no matter how robust, could not offset a sharp decline in consumer spending, economists say, because exports account for only 11 percent of gross national product, the country's total output of goods and services.

But few economists are forecasting a recession, or corporate losses. Kenneth Goldstein of the Conference Board, the business research organization, which predicts economic growth of only 1.1 percent next year, said, "We're talking about slower profit growth, but not a decline."

Banks Face A Tough Year

The coming year will be traumatic for the banking industry, a period in which wholesale restructuring will accelerate.

Regional banks will continue to consolidate into bigger institutions, while the traditional behemoths, based in New York, Chicago and California, will remain locked in their struggle to deal with troubled loans to Third World countries.

This restructuring, which has been going on for several years, will come closer to culmination in 1988. The strongest banking companies will become stronger, and the weak, even among the biggest companies, will have to struggle merely to remain independent. See AHEAD, Page 11

BUSINESS is your business

The most reliable source of Italian economic information

Advertisement for BUSINESS magazine featuring a portrait of a man and text in Italian: 'COSTRUIRE UN IMPERIO CON LA BO...', 'COME FONDARE UNA FAMIGLIA SP...', 'IN REGALO UN BRANCO...', 'ALL'INTERNO AUTORIZZAZIONE...'

Last Week's Markets

All figures are as of close of trading Thursday

Table with columns for Stock Indices (DJI, NYSE, etc.) and Money Rates (Discount rate, Federal funds rate, etc.)

Currency Rates

Table with columns for Cross Rates (Amsterdam, Brussels, Frankfurt, etc.) and Other Dollar Values (Currency, Per \$, etc.)

Table with columns for Forward Rates (Currency, 30-day, 60-day, 90-day, etc.)

Sources: Reuters, Bank of America, etc.



# AHEAD: Outlook Is Mixed for U.S. Industries in '88

(Continued from first finance page)

...of billions of dollars of loans to developing countries eventually would be fully repaid began to mount.

The new sense of reality was driven home by Morgan Guaranty Trust Co., which announced a plan that would enable banks to swap their loans to Mexico for bonds backed by U.S. government securities.

But the swaps would be done only if the banks agreed to accept big losses on their old loans, perhaps of more than 50 cents on the dollar. And the fact that Washington agreed to issue special bonds indicated that the Reagan administration, as well as the banks, had given up on the idea that the loans eventually will be repaid.

In the meantime, those regional banks that are highly profitable and well capitalized will probably continue to gobble up other banks, often across state lines. Most of these banks have relatively little Third-World debt and therefore will not be dragged down by heavy losses.

Mr. Fredericks said the winners and losers can be predicted on the basis of the stock market value of their outstanding shares, because stock prices reflect a banking company's basic strength. Among other things, a high stock price enables a bank to acquire other banks at an advantageous cost.

He said that only three New York banks are among the top 10 in terms of market capitalization, J.P. Morgan & Co., Citicorp and Bankers Trust New York Corp.

Others, although among the biggest in the country, are far down the list in terms of market capitalization. Chemical Bank New York Corp., although fourth in size among U.S. banks, ranked only 28th in the value of its outstanding shares. Similarly, Manufacturers Hanover Corp., which is sixth in size, ranked only 31st in market capitalization. BankAmerica Corp., third in size, ranked 32d; and First Chicago Corp., 11th in size, ranked 33d.

**Car Makers See Strong Demand**

The domestic automobile manufacturers are preparing for a strong year. Most industry forecasts call for sales of slightly more than 10 million cars and slightly less than 5 million light trucks. That would be about the same as in 1987 but down from the peak in 1986, when a total of 16.3 million light vehicles were sold.

Auto executives and analysts said there seems to be no connection, at least as yet, between the stock market collapse and people's need for transportation. "It's almost as if the country is disappointed that something more didn't happen," said Donald E. Petersen, chairman of Ford Motor Co.

Although no one appears to expect a slump, some of the more conservative outside analysts are saying that car sales may be as low as 9.5 million units, with 4.5 million light trucks, for a total market of 14 million vehicles.

The decline in the dollar's value adds to the uncertainty.

Although the weaker dollar is depressing sales of cars imported from Japan and Europe by forcing up their prices, it also appears to be giving the Japanese companies added impetus to complete assembly plants in the United States.

Two more of those plants, a Toyota Motor Co. factory in Georgetown, Kentucky, and a Chrysler-Mitsubishi joint venture in Bloomington, Illinois, are scheduled to begin operation this year.

Analysts estimate that immigrant plants in the United States and Canada will have the capacity to produce almost one million cars and light trucks by year's end and more than two million by 1990.

One of the big questions is whether General Motors Corp. can regain any of its huge loss of market share. Since the beginning of 1987, GM's share of sales has dropped from 42.1 percent to less than 37 percent.

The company has invested \$8 billion in its critical GM-10 program of midsize models and has designated four assembly plants for its production. This indicates that GM feels it can sell about one million of the models a year once the whole line is available in 1991.

Roger B. Smith, GM's chairman, predicted that GM will be back up to 40 percent of the market by the end of the year.

The domestic manufacturers will also test whether they can establish cars in the high-price, high-performance segment now dominated by European brands like Mercedes-Benz and BMW.

GM's Buick will introduce a two-seat sports car, the Reatta, at a price between \$25,000 and \$30,000.

Chrysler Corp. will offer what it is calling the TC by Maserati. Chrysler executives are counting on the magic of the Maserati name to attract buyers to the \$33,000 TC.

transmission gear, introducing new products such as toll-free 800 service and discounting calls to foreign countries. And the rivals are expected this year for the first time to offer operator service.

So great have been the long-distance companies' improvements that Robert Morris 3d of Prudential-Bache Securities Inc. said he thought that MCI could see its return on equity jump to 14 percent this year from 8 percent in 1987.

U.S. Sprint remains unprofitable, but perhaps not for long. "It's got an outside chance of being in the black by year end," Mr. Morris said.

At the same time, the Bell companies, which have been the darlings of Wall Street because of their monopoly over local phone service, appear headed for leaner times. Many state utility commissions are reportedly preparing to cut rates.

Perhaps the most important change could be the impact on revenues, both local and long distance, of a recession. Initially, a business slowdown would manifest itself in higher calling, analysts said, because people would call more rather than resort to more costly travel. Eventually, however, as business slumped, calling volumes would likely drop, some said.

**Steel Producers Face Challenges**

Little more than a year ago, U.S. steel producers were still plagued by losses, inefficient operations and intense competition from foreign producers. But in the past year, tightening supplies and higher prices have combined to bring to many steelmakers the prosperity that has eluded them for much of the last decade.

Most of the nation's major steel producers will report profits for 1987 along with statistics that will show progress in trimming excess capacity and furloughing unneeded personnel. After seeing the end of the longest work stoppage in the industry's history, at USX Corp., and a rebound in market conditions, most steel company officials are bullish about 1988.

Even so, this year will not be without its challenges, analysts and economists said. Some economists said that recent steel shortages have been more the result of customers' inventory buildup than of a surge in customer usage.

"What happens once they realize they have enough material?" one economist asked.

Whether the steel industry continues its recovery will depend largely on what happens with the economy. A downturn in construction could also stymie the momentum of the past year.

Few steel executives are worried about a recession, however. "I think the United States economy is in good shape right now," said Walter F. Williams, chairman of Bethlehem Steel Corp., the third-largest U.S. steelmaker. "I don't think the stock market crash will have a significant impact on our business."

He said that steel demand would be "at a reasonable level" this year. "It will be down slightly," he said. "But not by much."

Steel industry officials will also be busy this year lobbying to have import quotas that expire next year extended into the next decade.

**As Cable Gains, Broadcasters Lose**

This year the performance of various segments of the media industry could vary widely. The cable television industry, for example, is expected to have a strong year. It is the growth of cable is among the factors that may make it a relatively lock-luster year for broadcasters.

The stock crisis has had little impact on cable. Deregulation has been an enormous boost to cable companies, allowing them to raise their rates for basic services. At the same time it has allowed them to reduce the rates they charge for such pay television services as Cinemax and Time Inc.'s Home Box Office. As a result the number of subscribers to those two services has jumped 1 million, to 20 million subscribers, in the past year.

Gordon Crawford of Capital Guardian Research Co. said, "Cable has had a fabulous year and the evidence since Oct. 19 is that the business is immune to fallout from cutbacks in terms of spending among consumers."

"They have raised prices on basic cable and cut prices on pay cable and it is a good value," he said. "The companies that benefit should include Time, Tele-Communications and Disney."

The three networks could have a somewhat better year than might have been expected because 1988 is an election and an Olympic year. Such years traditionally attract additional advertisers, but cable and independent TV stations continue to lure away advertisers.

Jerry Dominus, vice president for sales at CBS network, said, "So far the networks hardly know there has been a crash on Wall Street."

But, like others, he cautioned that the outlook remains highly uncertain for revenue growth. He said that if there is a recession, "advertisers could still cancel some of their commitments for the second and third quarter of 1988."

**Movies Shrug Off Economic Fears**

Hollywood not only shrugs off economic uncertainty, but thrives on it, according to legend. Despite the ripple effects of the stock market collapse, consumers keep pouring into movie theaters, even as ticket prices hit \$7 in some areas.

The U.S. box office take for 1987 was \$4.2 billion, according to the trade publication Variety, a gain of 1 percent from 1986 and surpass-

## Seagram's Martell Deal Called Void By Minister

PARIS — A French minister said Sunday that a provisional agreement by Canada's Seagram Co. to acquire a majority stake in the French cognac maker Martell & Compagnie by buying the Martell family's stake was invalid.

That leaves Seagram with the prospect of battling Grand Metropolitan PLC, the British beverage and hotels group, for control of Martell on the open market.

Seagram, a distiller, said on Dec. 19 that it had provisionally agreed to buy 40 percent of Martell from the Martell family at 2,500 francs a share, or 1.49 billion francs (about \$280 million). It already owned 10 percent of Martell.

But the junior industry minister, Georges Chauvane, said Sunday that the agreement was invalid because it bypassed the Bourse, under French law, all shareholders must be consulted in trading in publicly listed companies.

A spokeswoman for the minister quoted Mr. Chauvane as saying: "The exchange of the Martell family's shares can only be carried out in the stock exchange."

**Airline Industry Is Flying High**

Lower fuel prices, fewer discounts, more modest additions of new planes and continuing good traffic portend a good year for the airline industry. The wild card is labor settlements.

But while the outlook is generally favorable for the industry, consumers could be paying more for their trips.

Some analysts, like Julius Malduis of Salomon Brothers, predict that profits in the industry will be about the same this year as last year. For 1987 the industry is expected to report about \$900 million to \$1 billion in profits.

But Mr. Malduis said income could be much higher if airlines save on fuel costs as oil prices fall.

Some analysts are also predicting that traffic, which was up about 8 percent last year, will continue to be strong and may show an increase of about 5 percent in 1988.

The figure could go much higher if foreigners attracted by the strength of their currencies against the dollar decide to vacation in the United States. With the dollar weak, fewer Americans might travel abroad and an increase in domestic trips might be seen.

Airlines will be offering fewer discounts next year, analysts said, and will put tighter restrictions on those they do offer.

Discount fares have already been losing potency. Helane Becker, an analyst with Shearson Lehman Brothers, said that "fares overall were up about 12 percent last year but that discount fares were up about 22 percent."

She predicted that the higher fare structure would hold up next year and that industrywide fare wars would not break out even if discounting were increased to offset a traffic decline.

"The carriers that are around are in reasonably good financial shape," she said. "There is nobody out there with a big negative cash flow. Most companies have a good cash position and good balance sheets."

Though the chances of fare wars are lower, airlines like Eastern are preparing for showdowns with their unions after demanding greater concessions.

Union resistance to further cost-cutting is stiffening as it is becoming clear to labor leaders that many of the carriers that have survived and grown through mergers and acquisitions have greater financial resources and can more easily dominate their markets.

**Retailers' Profits Under Pressure**

For retailers still reeling from one of the most difficult Christmas seasons in years, 1988 offers little hope for improvement, at least in the early months.

Merchants, analysts and consultants said that sales for the first half of the year should show low single-digit gains over 1987, with some improvement in the second half.

They said they believe that the 1987 Christmas season merely continued a sluggish trend that began last spring when consumers began accumulating large personal debt and relatively little savings.

The year will be competitive and highly promotional, particularly in the spring, so that not only sales but profit opportunities will be harder to find, said Robert H. Morosky, president of Allied Stores Corp.

"We still haven't fathomed the effect of the stock market crash, and so I'm concerned about spring-summer," he said. "It represents about 45 percent of the year's sales, but fall-winter has the larger share and that is what we're banking on."

Some analysts see 1988 as one of the least productive years in some time. "Over the last 20 years," said Bruce Misset, an analyst for Salomon Brothers Inc., "increases in general merchandise sales ranged from less than 3 percent to 13 percent, with the worst year in 1982, when it was only 2.5 percent."

"I expect that 1987 sales will show a 5 to 6 percent gain, while 1988 will be among the lowest in the spread, with only 3 to 5 percent over 1987."

Mergers this year will shift from the large department store chains to the apparel-specialty chains, which have experienced low sales. Stacy Ruchlamer, an analyst for Shearson Lehman Brothers, said such companies as Clotheshime Inc., of Anaheim, California, and Cincinnati-based U.S. Shoe Corp. may be acquired this year.

## AEROSPACE: As Orders Dwindle, the French Industry Faces a Crisis

(Continued from first finance page)

industries that compete directly with the U.S. in dollar-based markets yet bring back revenue in francs. Current American protectionism is a real menace to us."

But experts note that the dollar also has made American-made aerospace components, which often constitute between 30 and 40 percent of a French aircraft, considerably cheaper. And in any case, they say, the Americans are not the main issue.

"Our aerospace industry is paying today for errors committed in the course of the past 20 years," said Bernard Waquet, a former director of exports for Dassault, in a column last month in the French newspaper L'Espresso.

"Should we blame the [Defense] Ministry, which finds the Rafale to be at once impractical and too expensive?" he asked. The Rafale is the prototype of Europe's new generation of fighter aircraft, scheduled for delivery to the French Air Force in 1993.

"Should we accuse the navy of treason because it prefers McDonnell-Douglas's F-18 Hornet? Whom is responsible for our problems?" Mr. Waquet wrote.

Analysts blame the industry itself, and what one aerospace official called "the stifling currents" of French government policy. For example:

- After France's relations with countries in the South Pacific started deteriorating in the late 1970s, the Australian Royal Air Force began placing orders for non-French aircraft.
- In 1981, the Australian government said it would buy 75 U.S. F-18 Hornets to replace its squadrons of French Mirage IIICs. In 1987, it pledged to buy 75 U.S. F-15s along with a number of Tornado fighter planes built jointly by Great Britain and West Germany.
- Before diplomatic relations soured, Dassault had been the primary supplier of fighter and attack planes to the Australian Air Force.
- Thomson SA, the French electronics maker assigned to producing an updated, miniaturized Doppler radar system for the Mirage 2000, was "simply too slow" in performing the task, Mr. Leguil said.

As a result, he said, the final

version of the plane was delivered with "obsolete" radar. In the meantime, U.S. aircraft such as the F-15, which already was equipped with the advanced radar, made substantial inroads into some French-dominated markets, particularly in North Africa and the Middle East.

A spokesman for Dassault said that "even when we sell an aircraft, it is not uncommon for the buyer to ask that it be equipped with U.S. avionics, probably because they are better-known and easier to service."

In addition to its financial losses, Aerospatiale has eliminated more than 2,000 jobs since 1985, and more cuts are expected this year. Similarly, Dassault was forced to eliminate 800 jobs in 1986. It was the first time the company had cut its work force.

Mr. Michot, blaming the falling dollar for Aerospatiale's economic troubles over the past year, asserted that the currency's decline was the result of "political manipulation."

And on Wednesday, Foreign Trade Minister Michel Noir declared that the dollar's slide had had a "catastrophic" impact on sales of commercial aircraft by Airbus Industries, a four-nation European aircraft consortium. Aerospatiale is the French partner in Airbus.

But a U.S. government official with close ties to France's commercial air industry called the uproar over the dollar "a lot of rhetorical nonsense." The official noted that the industry was receiving heavy government subsidies and posting big profits early in the 1980s, when the dollar was low.

"European governments, particularly the French, are firmly committed to Airbus and a number of other big projects, he said. "No matter what happens to the dollar, you can bet the French will ride it out and make sure they stay in the game."

## U.S. Purchasers Report Brisk December Orders

WASHINGTON — One of the first reports on the state of the U.S. economy in December indicates that it expanded briskly, bolstering suggestions that the October stock market collapse has had little impact so far on economic growth.

A monthly survey of purchasing managers for manufacturing companies, released Monday, found faster growth in both new orders and production in December than in November. Robert J. Bretz, director of materials management at Pitney Bowes Inc., said that the rise in new orders was a signal of continued expansion.

"What this portends is a relatively strong production month for January and carrying into future months," he said.

The survey by the National Association of Purchasing Management, is considered a reliable indicator of economic trends because purchasing managers are in a position to watch employment, production plans, prices and inventories before those statistics are compiled by government agencies.

The purchasing managers' survey found that new orders were higher than at any time since December 1983, while employment grew for the ninth time in 10 months. The composite index, which takes into account all elements in the survey, rose to 61.6 percent in December, from 58.9 percent in November. It was the second-highest level registered in all of 1987.

Following the sharp decline in the stock market on Oct. 19, economists predicted that consumers would reduce their spending, slowing economic output. But indications since then are that the collapse has had less impact than predicted.

"I think many of the predictions were based on assumptions that consumers would severely curtail their spending," said Mr. Bretz, chairman of the association's survey committee. "So far we have not seen any evidence of that in any significant way."

The association said that index levels above 50 percent are consistent with an expanding economy, while levels below 50 percent generally indicate that the economy is contracting.

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**Phone Winners May Be Losers**

The telephone industry could see a flip-flop in 1988. The winners of recent years will likely lose their momentum, and the recent losers could end up as the companies to watch.

The losers have been the long-distance telephone companies. Since the break-up of the Bell System in January 1984, such companies as American Telephone & Telegraph Co., MCI Communications Corp. and U.S. Sprint have seen their profit margins erode as local Bell operating companies have imposed steadily higher "access charges," the fees the long-distance carriers pay for access to local customers.

However, the long-distance carriers have been cutting costs through layoffs and lower-cost

HONG KONG: Corruption Panel Arrests 3 Top Stock Market Officials

(Continued from first finance page) Mr. Sun resigned as chief executive of the exchange last November...

Analysis predicted that investors would react badly to the news. "We're going to be looking at a very weak market on Monday," said James Miller-Day of County Natwest Securities.

He estimated that the Hang Seng index could fall as much as 100 points on Monday before recovering some of its losses.

Seng index should move one way or the other. I believe money moves for economic reasons.

ROBINS: Lawyer to Fight Merger

(Continued from first finance page) Sanofi proposal under the federal bankruptcy code, which is to be submitted by Wednesday.

A Robins spokesman said that under the Sanofi proposal, funds for Dalkon Shield trust would be readily available.

Robins filed for protection from creditors under Chapter 11 of the code in 1985 because of nearly 200,000 lawsuits from women who said they were injured by its Dalkon Shield contraceptive device.

Sanofi is the second-largest drug company in France behind Rhône-Poulenc SA. It is 60 percent owned by Elf Aquitaine, the state-owned oil company.

NASDAQ National Market

OTC Consolidated trading for week ended Thursday

Table with columns: Sales in 100s, High, Low, Close, Net Change. Lists various stock symbols and their performance.

Elevated Immunity. Stimulating an organism's immune defenses can mean sturdier crops, healthier trees and reduction of tumors.

SEARS P.L.C. (CDRs) The undersigned announces that as from 18th January 1988 at Kas Associates N.V., Spilstraat 172, Amsterdam...

AMSTERDAM DEPOSITORY COMPANY N.V. Amsterdam, 28th December 1987.

RICOH COMPANY LTD. (CDRs) The undersigned announces that as from 18th January 1988 at Kas Associates N.V., Spilstraat 172, Amsterdam...

MITSUI & CO. LTD. (CDRs) The undersigned announces that as from 18th January 1988 at Kas Associates N.V., Spilstraat 172, Amsterdam...

LVMH MOÛT HENNESSY LOUIS VUITTON ANNOUNCES STOCK REPURCHASE PROGRAM Paris, December 23, 1987

Table with columns: Symbol, Price, Change. Lists various stock symbols and their current prices.

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Satur days in the Trib. Get Friday's Closing Prices.

American Exchange Options

Figures as of close of trading Thursday

Table with columns: Option & price, Calls, Puts. Lists various option contracts and their prices.

Chicago Exchange Options

Figures as of close of trading Thursday

Table with columns: Option & price, Calls, Puts. Lists various option contracts and their prices.

Euromarts At a Glance

Euromart Yields

Table with columns: U.S. 1-1/2% Int'l, 8 yrs & over, 10 yrs & over, etc. Lists various yield rates.

Weekly Sales

Primary Market

Table with columns: Straight, Convert, etc. Lists weekly sales figures.

Liber Rates

U.S. 1-month, 3-month, 6-month

Table with columns: U.S., Deutsche mark, Pound sterling, etc. Lists various interest rates.

SELECTED U.S./O.T.C. QUOTATIONS

Table with columns: Symbol, Bid, Ask. Lists various stock symbols and their bid/ask prices.

1987 Market... New York Stock Exchange 1987 Prices

# 1987 Consolidated Trading on U.S. Stock Markets

## Market Indexes

Dow Jones			
High	Low	Close	Chg.
2,925.14	2,924.34	2,925.14	+0.80
1987	1986	1985	1984
2,925.14	2,924.34	2,925.14	2,925.14

## Diaries

NYSE			
High	Low	Close	Chg.
108.25	108.15	108.25	+0.10

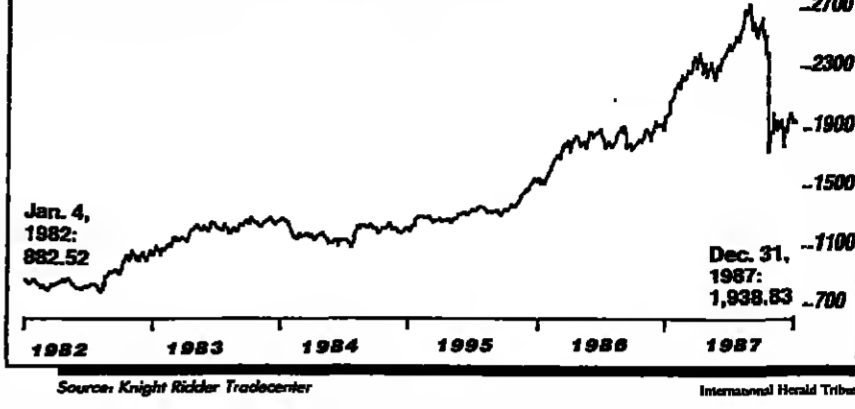
## Sales

NYSE			
Total 1987	Total 1986	Total 1985	Total 1984
47,801,308,660	35,680,016,341	27,510,706,353	23,071,031,447

## Shadows of October to Stretch Into '88

By Lawrence J. DeMaria  
New York Times Service  
NEW YORK — The stock market opens the New Year under a shadow of uncertainty that has been absent from Wall Street for years — the trauma of last October has reinforced the fear of losing money.  
In the five-year bull market, many investors grew accustomed to prices that moved in just one direction. But in addition to giving investors a brutal reminder that the market delivers losses as well as gains, the October collapse has stirred a more visceral concern that history could repeat itself.  
A great many analysts and investors say that they consider today's stock market as treacherous, and as hard to call, as the one that followed the 1929 crash. The mere thought that 1988 could prove to be like 1930, when a steep slump in stock prices began, gives a lot of people pause.  
Right or wrong, the comparison is coloring investment decisions. The echoes are making people careful.  
"I make my living selling stocks," said one Wall Street broker, "but I wouldn't blame any of my clients if they sat out 1988 in Treasury."  
Not many people really expect the economy to fall apart. On the contrary, the consensus is that the United States is in a much better financial position than it was 50 years ago. It is generally accepted that financial and social safeguards at home, together with a greater capacity for cooperation among the world's economic powers, make the chances of another depression remote. But the parallel is enough to make investors think twice.  
"I don't know where the market is going in 1988," acknowledged Barton M. Biggs, managing director for research at Morgan Stanley & Co. On the one hand, he could "make the case" that the market will resume its recent run and reach new highs late in the year. Then again, he said, he could offer good reasons why the market "will test the new lows."  
Some stock market people are more optimistic and even see a benefit in the October collapse.  
"There were a lot of positives that came out of this crash," said Hugh A. Johnson, economist at First Albany Corp. "The decline in stock prices was kind of a blessing in disguise."  
He noted that the markets "have begun to move the policy makers," which he sees as a positive sign. He also sees indications of renewed international cooperation to address the trade and currency problems that face the United States and its principal economic partners.  
Most analysts seem to be taking the middle ground. Their best guess is that, in the absence of startlingly good or bad economic news, the stock market will wander. They say they expect the Dow Jones industrial average to trade in a range of 1,800 to 2,400.  
The apprehension that hangs over the markets is grounded in the suspicion that, although no one yet understands precisely what happened in October, the underlying economic conditions have not changed much. The huge trade and budget deficits of the United States, the crumbling dollar, the Third World debt crisis — indeed, all the economic imbalances that existed in October — still exist.

## Charting the 5 Year Bull Market



## Percent Gainers

NYSE			
Vol.	High	Low	Last
108.25	108.15	108.25	+0.10

## Actives

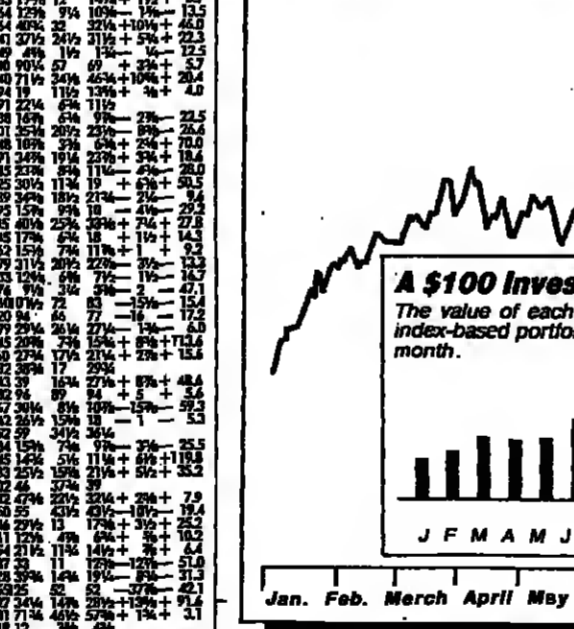
NYSE			
Vol.	High	Low	Last
108.25	108.15	108.25	+0.10

But doubts are widespread that such stability is near. Robert R. Giordano, treasurer at Bank Leumi in New York, said, "I still think the dollar is going lower. I'd say 110 yen is a 'do-able' number, and against the mark you could see 1.50." The dollar ended the year at about 121 yen and 1.57 marks in New York on Thursday.  
Then there is the domestic economy. Most economists expect the nation's gross national product to grow by only 2 percent or so this year. That would presumably keep inflation and interest rates in check, but it might also crimp corporate profits, and that might hurt stock prices.  
This year's presidential election could also be a factor. An incumbent administration often pursues policies intended to bolster the economy and the financial markets. On the other hand, uncertainty about the election's outcome adds more doubt.  
Stock market history is another consideration.  
During last summer's frenetic rally, some analysts and traders began to worry about value. The average stock in the Standard & Poor's 500 was trading at a price-to-earnings ratio of about 22.5. In effect, the market valued every \$1 of corporate profits at \$22.50.  
Today, the ratio has fallen to about 15.6, on average. In late August, the dividend yield on the S&P 500 averaged about 2.4 percent. Now it is about 3.6 percent.  
Some see these figures as a return to rationality. Johnson of First Albany said that the market collapse may have ended Wall Street's speculative mania. Noting that "we stretched the rules in 1987," he said that stocks are now "a better reflection of underlying fundamentals."  
Nevertheless, today's P/E and yield figures are still far from those typical of bear-market bottoms. Thus, the pessimists say, there is still plenty of room for stock prices to fall.  
Other analysts note, however, that if the prices are adjusted for inflation, the Dow industrials, even at last summer's peak, remained well below their "real" record high.  
That was achieved 20 years ago when the 1,000 mark was hit briefly. Two decades ago, \$1,000 had the purchasing power of \$3,400 today. But such reasoning would be little comfort to investors if the 1988 stock market mimics that of 1930, which eventually pushed stock prices down by 80 percent.

## New York Stock Exchange 1987 Prices

12 Month High	Low	Stock	Yld.	PE	Vol.	High	Low	Close	Chg.	Pct.
2925.14	2924.34	2925.14	0.80							

## The Dow's Performance in 1987



## Big Board Volume

Year	Total share volume on the New York Stock Exchange for the year
1987	47,801,308,660
1986	35,680,016,341
1985	27,510,706,353
1984	23,071,031,447
1983	21,589,576,997

NYSE			
Vol.	High	Low	Last
108.25	108.15	108.25	+0.10

NYSE			
Vol.	High	Low	Last
108.25	108.15	108.25	+0.10

NYSE			
Vol.	High	Low	Last
108.25	108.15	108.25	+0.10

Continued on next page

WALL STREET IN 1987: After the crash, Big Board prices return to more realistic levels

New York Stock Exchange 1987 Prices

12 Month High Low Stock Yld. PE Val. High Low Close Chng. Pct. Div. Div. Yield

1: Denotes sales in 1000s. All other sales in hundreds.

(Continued)

Table with columns: 12 Month High Low Stock Yld. PE Val. High Low Close Chng. Pct. Div. Div. Yield. Rows include various stock tickers like AIG, AIGP, AIGS, etc.

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Volatility: Learning to Love the Bomb

By Alison Leigh Cowan

NEW YORK — Although the stock market ended the year at about where it began, the last 12 months will go down as the most chaotic since World War II.

It used to be that, on a given day, the Dow Jones industrial average moved up or down by more than 2 percentage points only about once a month. Since May, such swings increased in frequency to almost once every three weeks until, by the fourth quarter of 1987, they occurred almost every other day on average.

The large one-day moves have also become larger. Six of the 20 biggest percentage moves in the Standard & Poor's 500-stock index in the postwar period have happened in the last three months, said James Poterba, an economist at the Massachusetts Institute of Technology.

While hardly anyone expects the sharp swings to dissipate, there are some signs that their frequency might be on the wane. Many traders, money managers and academics, for instance, note that much of the "volatile money" has fled the market, leaving behind seasoned investors who are less likely to chase stocks to stratospheric highs or panic at the first sign of trouble.

Moreover, proposed curbs on trading such derivative securities as futures, which had been blamed by some for roiling the market, have also calmed nerves.

Bartyn M. Biggs, managing director for research at Morgan Stanley & Co., said lower volatility in 1988 would not surprise him — precisely because so many institutional investors have girded themselves for higher volatility by lowering their exposure in the stock market.

"Usually what people anticipate doesn't happen," Mr. Biggs said. "So I wouldn't be surprised to see 1988 be a year, not of high volatility, but of low volatility."

The proposed curbs on the futures market, which stemmed from the stock market collapse, might also lower volatility. Heavy trading in stock-index futures often touches off program stock trading, which is frequently cited for moving stocks abruptly. Some regulators are proposing that traders be required to put down more money to buy

a stock-index future, thus limiting their ability to be so active.

"There's been progress in that direction, and raising margins on futures and all that will help a lot," said Mr. Biggs.

But Richard L. Sandor, the senior vice president at Drexel Burnham Lambert Inc. who is widely credited with creating the modern futures and options market, disputed Mr. Biggs' prediction. He thinks that by election year will distract Congress from resolving the economic problems that agitated the markets in October, and that the sprawling field of presidential candidates will only fuel uncertainty.

Outside of active traders, experts think the average, long-term investor should not be overly concerned with market blips.

Ralph S. Tate, president of Aetna Equity Investors, thinks investors have become "volatility fixated." He contended that, over time, the stock market still delivers returns superior to other investments, despite the added risk.

"Volatility is important if you have to get your money out tomorrow," he said. "But it's not important if you're investing, because you expect to retire in 15 or 20 years."

But that does not mean the average investor takes the market's swings kindly. "Volatility introduces an element that he might not understand and which may scare him," said Leonard Birnby, the head of equity-market analysis at Salomon Brothers Inc.

Already, he notes that 100-share trades, usually made by small investors, make up less than 1 percent of trading volume, versus 4 percent in 1980.

The specter of volatility has widened the spreads that brokers charge to execute trades when they put up their own money for customers. "Higher volatility implies higher transaction costs, and people trade differently, less aggressively," said Mr. Tate of Aetna Equity Investors. They may buy and hold, he said, rather than trade securities actively, or they may wait for an anxious buyer or seller in a particular stock.

The quarter's jagged moves have also increased investors' response time, analysts said.

"Prior to this, the idea was you had plenty of time to get out if you saw problems coming," said Edward J. Mathias, the presi-

dent of the New Horizons Fund of T. Rowe Price Associates in Baltimore. "What this suggests is you don't."

He also foresees investors becoming more quality conscious, more conservative in the percentage of assets they allocate to stocks, and more fond of diversification to reduce risk.

Some market professionals look to the price of stock options to determine the outlook for volatility in the stock market. By that measure, the market volatility that was so extreme in October will abate. But investors should expect nothing like a return to the good old days.

A widely used formula for determining options prices considers five factors: the price of the underlying security or index, the promised purchase price, the remaining life of the option, interest rates, and the security's volatility, or amount it usually fluctuates.

Generally, the greater the volatility, the more an option is worth because investors intent on playing the market can limit their downside risk by purchasing options if the market plunges. And indeed, in the weeks after the crash, options prices zoomed.

Because four of the five variables are easily observable, traders, working the model backwards, can deduce the value of the fifth — volatility — from prices.

Using this calculation, some Wall Street professionals report that investors expect volatility to be higher than the 10 percent-to-20 percent average deviation that has prevailed for many years, but considerably lower than the 100 percent deviation prevalent in October.

And lately? "You'd be amazed," said Thomas McManus, an institutional sales representative at Goldman, Sachs. "Right now, the implied volatility of index options is around 32 percent."

With the S&P index trading at about 245, that means investors think that it is conceivable that the index could be below 150, or higher than 400, within one year — calculated by doubling the 32 percent range.

"That may be good news relative to October, but it should be viewed in context of a longer period of time than one month," said Mr. Sandor of Drexel Burnham Lambert. "It's still almost double what it's been since 1900."

Table with columns: 12 Month High Low Stock Yld. PE Val. High Low Close Chng. Pct. Div. Div. Yield. Rows include various stock tickers like AIG, AIGP, AIGS, etc.

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American Stock Exchange 1987 Prices. New York Stock Exchange 1987 Prices. (Continued on next page)

WALL STREET IN 1987: On the Amex, a widespread drubbing leaves secondary stocks undervalued

American Stock Exchange 1987 Prices

Table listing various stocks and their prices on the American Stock Exchange for 1987. Columns include stock name, price, and other financial metrics.

The Amex's Performance in 1987



A \$100 Investment. The value of each \$100 invested in an index-based portfolio at the end of each month.

Amex Volume

Table showing total share volume on the American Stock Exchange for each year from 1983 to 1987. 1987: 3,505,950,000; 1986: 2,978,540,000; 1985: 2,100,860,000; 1984: 1,545,010,000; 1983: 2,081,270,000.

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New York Stock Exchange 1987 Prices

Table listing various stocks and their prices on the New York Stock Exchange for 1987. Columns include stock name, price, and other financial metrics.

1987 Name Changes

Table listing companies that changed their names in 1987. Columns include the old name, the new name, and the date of the change.

New York Stock Exchange 1987 Prices

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WALL STREET IN 1987: NASDAQ stocks hit harder by the aftershock than by the earthquake

NASDAQ National Market 1987 Prices

NASDAQ National Market 1987 Prices

12 Month High Low Stock Yld. PE Vol. High Low Close Chgs. Chgs. Chgs. Pct.
1: Denotes sales x 1000. All other sales in hundreds.

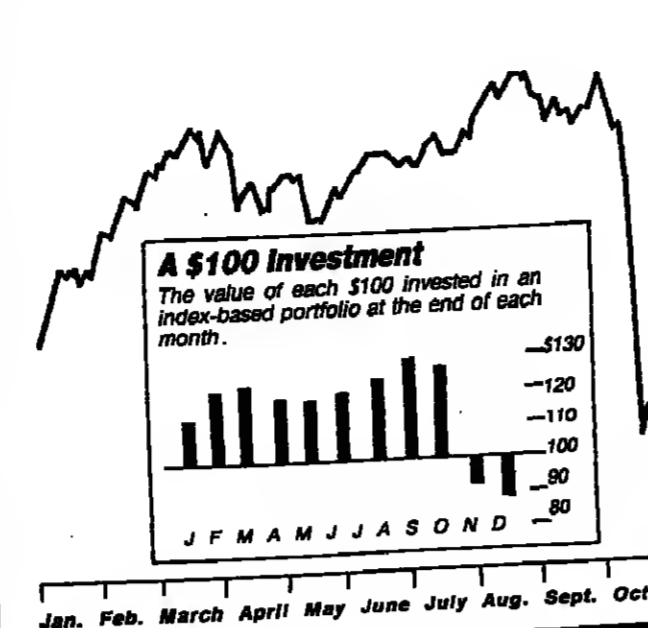
Table with columns: 12 Month High, Low, Stock, Yld., PE, Vol., High, Low, Close, Chgs., Chgs., Chgs., Pct.

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Main table of NASDAQ stock prices with columns: 12 Month High, Low, Stock, Yld., PE, Vol., High, Low, Close, Chgs., Chgs., Chgs., Pct.

The NASDAQ Performance in 1987

Daily close of the NASDAQ composite index.



A \$100 investment The value of each \$100 invested in an index-based portfolio at the end of each month.

Source: Standard & Poor's Trendline-II

Nasdaq Volume

Total Nasdaq share volume for the year.

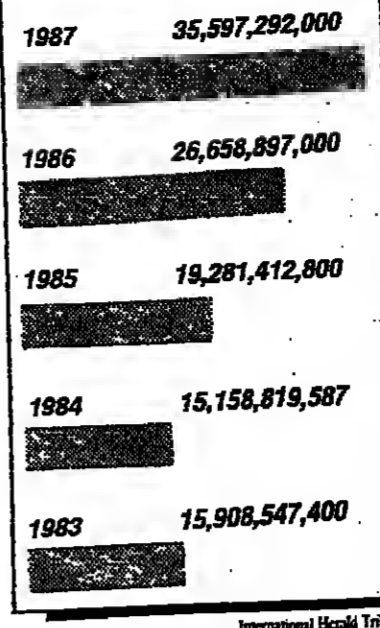


Table with columns: 12 Month High, Low, Stock, Yld., PE, Vol., High, Low, Close, Chgs., Chgs., Chgs., Pct.

International Herald Tribune

Table with columns: 12 Month High, Low, Stock, Yld., PE, Vol., High, Low, Close, Chgs., Chgs., Chgs., Pct.

(Continued on next page)

JPL 10150



# NASDAQ National Market 1987 Prices

12 Month High Low Stock Yld. PE Vol. High Low Close Chgs. Pct. Dividend

1. Dividend sales x 1000. All other sales in hundreds.

Table with columns: 12 Month High Low Stock Yld. PE Vol. High Low Close Chgs. Pct. Dividend. Includes sub-header (Continued).

Table with columns: 12 Month High Low Stock Yld. PE Vol. High Low Close Chgs. Pct. Dividend. Continuation of NASDAQ data.

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## Bracing for the Worst as 1988 Opens

PARIS — Brokers on currency and stock markets worldwide braced over the weekend for a hectic opening to the new trading year on Monday...

### How Major World Stock Markets Have Fared

The all time peaks of the major world stock exchanges and how share values have fared since October 14, the day a report of bad U.S. trade figures started Wall Street sliding.

Table with columns: City, Peak, Oct. 14, Post Oct. 14 Low, Latest Close, Percentage Drop. Includes data for New York, London, Frankfurt, Hong Kong, Tokyo, Sydney.

ever. Oil companies and insurers also suffered. British Aerospace was marked down on news of adverse effects of the dollar's fall on Airbus, in which it holds a 20 percent stake.

### London

The London Stock Exchange ended 1987 on a somber note, with £3 billion wiped off share values in the final trading session and 18 percent of its value erased for the year.

### Tokyo

The Tokyo Stock Exchange, the world's largest market, saw its 225-stock Nikkei average shed 14.9 percent of its value on Oct. 20 and end the year 19 percent below its Oct. 14 peak.

### Frankfurt

Prices on the Frankfurt Stock Exchange ended 37 percent lower for the year, with the Commerbank index of 60 major shares closing Wednesday at 1,299.7.

### Paris

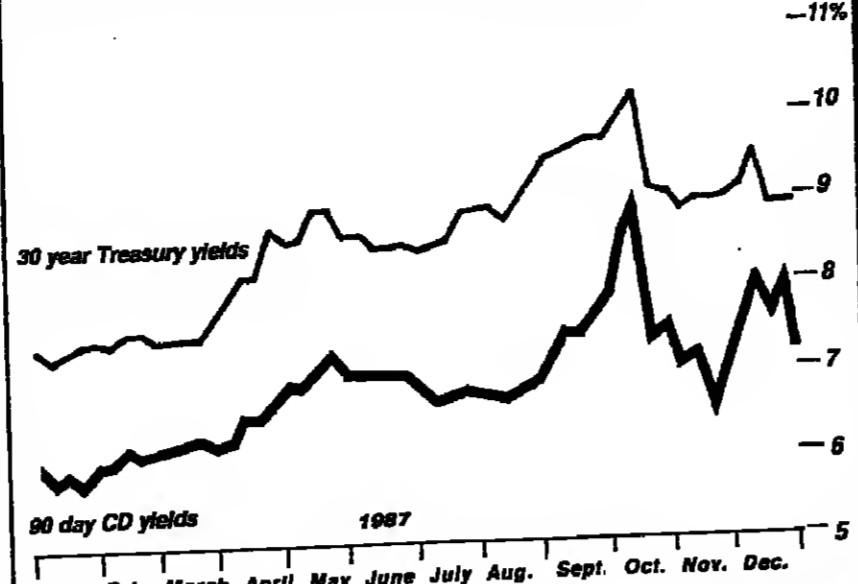
Prices on the Paris Bourse retreated again last week, closing out 1987 with a 30 percent decline for the year.

Table with columns: 12 Month High Low Stock Yld. PE Vol. High Low Close Chgs. Pct. Dividend. Continuation of NASDAQ data.

Handwritten signature or stamp at the bottom of the page.

WALL STREET IN 1987: Equity mutual funds post their worst year since 1981

The Course of Interest Rates in 1987



Source: Salomon Brothers

12 Month High Low Close Chg Pct. High Low Close Chg Pct.

Table of mutual fund performance data for 1987, including fund names, 12-month returns, and percentage changes.

Large table of mutual fund performance data, organized by fund type and including columns for fund name, 12-month return, and percentage change.

Mutual Fund 1987 Prices

Table of mutual fund prices for 1987, listing fund names and their corresponding prices.

Vertical advertisements on the right margin, including 'JUMBLE', 'EKIP', 'TAULD', 'RUMMUS', 'REVUPY', and 'WEAT'.

Art Auctions: A Leveling of Prices and Buying by the Soviets

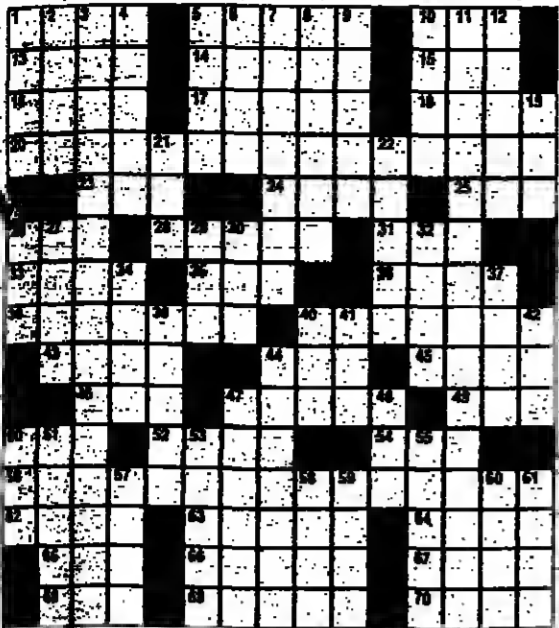
With world financial markets in turmoil, there are signs that the art market has also become fragile...

and will sell for less money in the wake of what's happened in the stock market.

Q. Were the high prices paid for the Impressionists last year justified?

making a lot of money in this country, in America, Germany, Japan, and in France.

Americans and the Europeans as the most active market players?



ACROSS: 1 Turkish title, 2 Latin word, 3 10-letter word...



JUMBLE: THAT SCRAMBLED WORD GAME. Unscramble these four jumbles...

WEATHER: Table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, OCEANIA.

ACCORD: U.S. and Canada Sign a Landmark Trade Treaty, but Politicians and Lobbyists Line Up on Either Side

(Continued from first finance page) American-Canadian trade over five years, which would translate into thousands of new jobs...

to derail the pact, which has triggered a dispute between free trade supporters and nationalists who fear that it will increase American influence in Canada...

have to meet performance requirements, such as hiring local workers.

PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



WORLD STOCKS IN REVIEW / Via Agence France-Press

(Continued) November, but the move was postponed to 1988 because of market developments.

Hong Kong

The Hong Kong stock market ended 1987 on an uneven note, with the Hang Seng Index falling for the week but just managing to post a gain in the final trading session.

Sydney

The Australian Stock Exchange's main market indicator, the All-Ordinaries index, ended 1987 10.4 percent lower than a year earlier.

Milan

After reaching a peak of exactly 1,000 points a year ago this week, the Milan Stock Exchange Index begins 1988 at 677 points, a loss of nearly one-third.

Zurich

Stock prices in Zurich finished the year 32 percent lower, with the Swiss Bank Corp. index closing Wednesday at 467.3.

Singapore

The Straits Times Industrial index, Singapore's key market barometer, finished the year at 823.56 points, 45 percent below its August 26 peak and 8 percent below its level at the end of 1986.

Taipei

The Taipei stock market, the big gainer of the year, was capitalized at \$10 billion on the last trading day of 1987.

Manila

Despite political uncertainties, the composite index at the Manila stock exchange rose 83 percent for the year.

Kuala Lumpur

The stock market collapse wiped about \$15 billion off Malaysian share values in 1987, but brokers said the shakeout had made most stocks attractive buys.

Solution to Thursday's Puzzle

A grid of letters with a solution key provided below it.

